CHAPTER THIRTEEN

Transition States: *New Destinies?*

China, India, and Russia are three of the largest and most important states in Eurasia. They are also undergoing transition. The question is, where are they headed? These states are unlikely to join the Western democratic core any time soon, but they are also unlikely to become full-fledged adversaries. All three are likely to have mixed relationships with the United States. Their pragmatic interests will cause them to shift between cooperation and difficulty. Each country will display differences that reflect its unique strategic circumstances. The United States will have to deal with them individually, on their own terms.

China, India, and Russia are undergoing far-reaching transitions aimed at creating the foundations for regional and even global power in the next century. When this decade of transition began, these states were headed toward market democracy. Today, their destinations are less certain. Yet, their great size, geographical location, and historical tradition ensure them an influential role in key regions—East Asia, South Asia, and Central and Eastern Europe. Their success or failure will significantly affect these regions.

The outcome of their transitions is difficult to predict. All three seek expanded regional and global roles; all three possess impressive economic potential. They have also achieved successes in reforms while experiencing serious internal shortcomings and external challenges. These states, especially China, inspire exaggerated hopes and fears. Some analysts see them wielding great power and influence in the next century; others see them as sources of instability as reforms fail to keep pace with spiraling populations, ecological degradation, regional separatism, and political weaknesses. Such dramatic success or failure is unlikely in the next decade. However, none is likely to be a peer competitor of the United States, nor will any become so engulfed in internal chaos that it ceases to be significant.

Each will focus on sustaining internal political and economic momentum, improving military capabilities, and preventing internal instability. Each will increasingly attempt to influence its neighborhood, while dealing with traditional or emerging rivals. In the next decade, the futures of China, India, and Russia depend on how they manage internal and external challenges.

The United States must be concerned about what kind of states they will become and what kind of role they will play in their respective regions and the world. The United States must

Population and Gross National Product in China, India and Russia

	Population (in millions)	GNP (billions of U.S. dollars)	GNP per capita (U.S. dollars)
China	1,232.7	$639	$518
India	983.4	385	392
Russia	146.6	1,100	7,483

Sources: *The Military Balance 1998/1999*, The International Institute for Strategic Studies (London: Oxford University Press, 1999).

forge policies that help shape both internal and external outcomes. Such policies must balance support for traditional friends and allies with the engagement of these three states, a particularly difficult task regarding postnuclear India. They must also demonstrate U.S. commitment to being a significant actor in Eurasia while accommodating the rise of new players. These policies must combine more sophisticated incentives and constraints if they are to respond adequately to the challenges posed by the transitions of China, India, and Russia.

Key Trends

Even when the more dramatic scenarios are rejected, a wide range of outcomes is possible. Which outcomes emerge will be determined largely by the seven following trends.

Global Power Aspirations

The political leaderships in China, India, and Russia have sought reforms and sacrifices that are intended in the long term to benefit individuals and provide global influence for their respective states. The appeal of these aims is reflected in the Chinese public's enthusiasm over Hong Kong's return and the Indian public's support for nuclear tests. Russia's public demonstrates the opposite, however. It has shown widespread indifference to even the most important foreign policy issues. None of the three states is currently an anti-status quo power. Yet, all three want to see fundamental adjustments to the existing system and their place assured in it.

China and India want to reverse more than a century of weakness and inferiority vis-a-vis Western states. They sense the time is ripe to overcome colonial legacies and internal inadequacies to assume their rightful place in world affairs. Speaking at Harvard University in 1997, Chinese President Jiang Zemin noted proudly, "After 100 years [of] struggle of the entire Chinese nation, China has stood up again as a giant."[1] Indian Prime Minister Atal Behari Vajpayee invoked India's past and future greatness, when threatened with sanctions by the United States and other countries after India's nuclear tests. He stated "India will not be cowed by any such threats and punitive steps. India has the sanction of her own past glory and future vision to become strong—in every sense of the term."

Russia's leading statesmen seek to ensure that Russia is a country to be reckoned with. Former Prime Minister Yevgeny Primakov's remarks are typical: "Russia was and remains a great power. And like any great power, its policy must be many-vectored and multifaceted."[2] The complex world situation requires that "Russia be not merely a historically great power, but a great power right now." Russia's limited capabilities should not be seen as a bar to an active world role, because Russian policy is being carried out "by no means on the basis of current circumstances but on the basis of [Russia's] colossal potential."[3]

To varying degrees, all three states are suspicious of a U.S.-dominated global order. Each prefers versions of a "multipolar world" as described in the April 1997 Russia-China communique. Each sees itself as a pole in this multipolar world. They view this world as better accommodating their respective national interests. They do not see themselves as challenging the existing international system, particularly if it means huge costs. However, each seeks a revision of the status quo that will reduce U.S. influence and increase theirs.

Serious Internal Transformations

None of the three has simultaneously sustained comprehensive political and economic reforms. China has taken the greatest strides. Since launching economic reforms in 1979, China has tripled its GNP. The past two decades, China has had the world's fastest growing economy. The success of these reforms has given rise to both optimism and pessimism among China watchers. Continued economic growth could mean China's integration into the world economy and international system. It could also mean China's assertion of power. China maintains strong control over massive economic changes; it has not

The Transition States: Russia, China, and India

pursued political reform as vigorously. Progress has been made in legal reform and local self-government. However, the state remains highly centralized and imposes enormous restrictions on freedom of speech, religion, and the press.

India also has experienced substantial economic growth since reforms in the early 1990s. The reforms opened up key sectors of the Indian economy, such as telecommunications. The Indian leadership moved away from state-dominated economic development. They deregulated most industries, devalued the rupee in 1991, and introduced a market-determined exchange rate in 1993. The Indian Government also liberalized the capital market and encouraged foreign direct investment, except in some consumer goods.[4] Growth rates hit over 7 percent in 1996 and about 5 percent in 1997. Until recent years, one party dominated India's democratic system, Now the caste and Hindu nationalist parties have gained favor.

Russia has seen its GNP decline steadily in the 1990s, despite economic reforms that began in 1992. After signs of growth in 1997, Russia's economy was dealt a severe blow by the Asian financial crisis. The government is unable to raise adequate tax revenue. Wages and pensions are still in arrears. The old manufacturing sector makes a product worth less after its manufacture than the raw materials used to make it. Large portions of the economy still operate on barter. A small group of Russian financiers, energy moguls, and government insiders are accumulating huge wealth. Russia has created a sustainable system of democratic elections, but its policy-making is far from responsive to the public.

Serious Internal Weaknesses

China, India, and Russia face substantial internal challenges to their stability. China and India are developing countries with the world's two largest populations. Russia has the opposite problem: it is the only developed nation where life expectancy is declining. China and India are growing economically, but this growth must be sustained and expanded. Sanctions may affect India's economy in the near term. The Russian economy is still contracting.

Chinese officials remain confident that centralized control of economic reform is the right way. Jiang Zemin defended this approach in a public debate with President Clinton, during the 1998 Summit. Yet China's high economic growth rates cannot be sustained. More moderate growth will reduce the ability of urban centers to absorb the surplus rural population, which could be over 300 million working-age adults. Experts believe that China must create at least 100 million new jobs to absorb enough of this surplus to avoid instability.[5]

Growth alone will not address overpopulation, resource exhaustion, and continued disparities between rural and urban China. Liberalization is also creating conditions that could

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Chinese Premier Zhu Rongji meeting with Former Russian Prime Minister Yevgeny Primakov in an effort to boost trade and political ties

challenge political centralization. China's large ethnic minority population—over 90 million according to the 1990 census—is a concern, particularly in Tibet and Xinjiang. China must sustain Hong Kong's prosperity, after it has been hit hard by the Asian economic crisis. Taiwan's status reflects negatively on the regime's ability to look after what it calls China's fundamental national interests.

Most experts are confident that China will muddle through these problems and continue to advance economically and as a world power. Yet population and social trends will stress the political system already challenged by economic liberalization. Serious instability in China would not only prevent the country's emergence, but profoundly alter the situation in East Asia.

India also has a large and expanding population, low per capita income, urban-rural disparities, and potential separatist challenges. The most striking political development is the rise of caste, regional, and Hindu nationalist parties led by the Bharatiya Janata Party (BJP) that directly challenges India's past politics.

Russia remains in economic and political crisis. Its economy has contracted since independence. In 1985, Soviet GDP was 13.5 percent of the American, Canadian and European GDP. By 1995, it had fallen to 4.6 percent. Russia's population has been declining since the 1990s. Male life expectancy declined from 63.8 years to 57.7 in the first half of the 1990s. In 1997, 21 percent of the population remained below the official poverty level.[6]

Political consensus for reform does not exist in Russia. For the first time in recent history, the Russian citizen has more reason to worry about a weaker state than a stronger one. The Asian financial crisis and Russia's debt crisis ended the reform-oriented government, which was replaced by a coalition headed by former Foreign Minister Yevgeny Primakov and included senior Communist ministers. Now another new government under Prime Minister Sergey Stepashin has passed economic reform legislation in the Duma and is seeking International Monetary Fund (IMF) support and debt relief.

Military Capabilities in Transition

China and India are modernizing their militaries and pursuing force projection capabilities. This led some analysts to predict their emergence as formidable or at least niche military powers, supporting more assertive foreign policies. This military modernization has brought important improvements, but not an overall transformation of forces. Both countries lack land, sea, and air capabilities required for force projection and sustainment. Russia is trying to reform forces inherited from the Soviet Union, but they continue to decline in quantity and quality. Their future is seriously in doubt.

Selected Russian Military Production

	Main battle tanks	Fighter aircraft	ICBMs
1990	1,600	430	115
1996	5	1	10

Sources: *The Military Balance, 1997–1998*, International Institute for Strategic Studies (London: Oxford University Press, 1998).

Modernization of China's People's Liberation Army (PLA) was one of Deng Xiaoping's four modernizations announced in 1979, but it was last in priority. This initiative came after Vietnam defeated China in their 1979 war. Several trends have caused renewed concern over Chinese military power. In 1985, China adopted a military doctrine, that shifted emphasis from a major nuclear conflict with the Soviets to regional conflicts. Force improvements were emphasized in the areas of mobility, power projection, and sustainability. Since 1989, the Chinese military budget has experienced several years of double-digit increases, although not resulting in improved military capabilities. Russian-Chinese rapprochement provided opportunities for China to acquire advanced fighters, guidance technology, surface ships, and other equipment.

The PLA has made some real improvements. Elite units, such as the 15th Group Army and marine units, comprise China's so-called "fist" (quantou) and "rapid response" (kuaisu) forces, within an excessively large and antiquated land army. China has acquired some 50 Russian SU–27s, along with the right to co-produce 200 more. Russia has provided upgraded avionics and air-to-air missiles. Israel, Iran, and Pakistan have sold China airborne warning and control systems and in-flight refueling capabilities. However, most of its 4,400 aircraft are outdated MiG–17s, 19s, and 21s. This air force is no match for U.S., Japanese, or Taiwanese Air Forces.

The Chinese navy has acquired Russian Kilo-class submarines and Sovremenny-class guided-missile destroyers. Its carrier program is a disappointment. The Chinese navy has extended its reach but lacks adequate air and missile defenses. China is moving toward second generation ICBMs and SLBMs, with multiple warheads. By this century's end, this program should improve Chinese nuclear capabilities, although they will remain modest by U.S. and Russian standards. The PLA has acquired increasing numbers of medium- and shorter range mobile missiles with global positioning system links and terminal guidance packages. It has increasingly emphasized cruise missiles, acquiring key Russian and Israeli components.

The PLA is improving, particularly in key force projection areas. However, it falls far short of large force-projection operations in a modern combat environment. The PLA seeks to complicate regional scenarios of interest to the United States. For example, the PLA cannot sustain a large-scale assault on Taiwan, but its increasing power could influence future scenarios. The PLA could make gradual improvements that lead to "near peer" capabilities in 20 to 30 years. Such possibilities are of the utmost importance to the United States. Developments in the next decade will help determine whether China is headed toward being a world-class military power and, if so, how fast. In the near term, China's military modernization raises the stakes in any regional dispute involving the United States, Japan, or an outside coalition. Coupled with an adequate nuclear deterrent, this may be all Beijing needs to influence regional issues in the near term.[7]

India's May 1998 nuclear tests focused attention on its capabilities and intentions. Its air force is also upgrading its older Soviet MiGs to include advanced radar and air-launched missile capabilities. India is attempting to produce its own nuclear submarine. India's missile development has been impressive, including the Prithvi (250-kilometer range) and the Agni (1,500–2,500 kilometers). India is also working on a new ICBM (Surya) and SLBM (Sagarika).

By comparison, the Indian military has not received the same attention or experienced the

same improvement as the Chinese. In 1996–97, India's defense budget declined in real terms. Its plans of the last decade to modernize ground forces and expand by 11 divisions foundered on budget constraints. Yet, it is formidable enough in the region to influence Pakistan and smaller neighbors

The Russian military is in precipitous decline. Economic conditions did not allow the maintenance of the massive military establishment inherited from the Soviet Union. Key conventional and nuclear systems will reach the end of their service life by the next decade's end. Russian ground forces are a small fraction of those of the Soviet Union.

The navy has experienced a steep decline in readiness. Most experts predict its consolidation into Northern and Pacific fleets, which will operate mostly as a coastal defense and nuclear deterrent force. Military production in key systems, such as tanks and aircraft, plummeted in the mid-1990s to a handful of units annually. This production has increased, but it is intended mostly for export.[8] Morale, training, readiness, and housing are poor.

Russian forces have been actively engaged in conflicts around the former Soviet Union (FSU), from Tajikistan to Moldova. While these were hot wars in 1992–95, they have largely cooled. Yet, deployments continue. The Russian military's performance in Chechnya, from 1994 to 1996, raised questions about its cohesion. Before intervening in Chechnya, then-Defense Minister Pavel Grachev declared, "Just one regiment of Russian paratroopers would have been enough to settle the problem with 2 hours." After 2 years of humiliation, Russian divisions were unable to stave off defeat.

Reliance on nuclear weapons increasingly compensates for Russian conventional weakness. The 1993 military doctrine abandoned its "no first use" policy. Russian declarations increasingly address the importance of a nuclear deterrent. The utility of tactical nuclear weapons is also seriously considered. Although better funded, Russian nuclear forces face their own crisis. Only a modest portion of the total 6,250 deployed warheads (4,278 on ICBMs) is operationally ready. Only two of Russia's ballistic missile submarine fleet routinely deploy, with the bulk remaining in port. This decline of Russian nuclear forces will accelerate early next century. Many systems will grow old and unreliable. The Russian Strategic Rocket Forces commander states that SS–18s and SS–19s, carrying nearly 3,300 warheads, will reach the end of their service life by 2007. Similar problems plague other platforms and the command and control system that supports them. Some predict that Russian nuclear forces will number 1,000 warheads or fewer by 2015.[9] The stability of Russia's nuclear posture is a serious concern, given deteriorating forces, decaying early warning, command and control systems, and increasing operational reliance on these forces.

Russian planners realize they will have much smaller forces, but whether they can sustain and modernize them on future military budgets is uncertain. Without economic growth and political commitment to devoting more resources to reform, a smooth transition for the Russian military is doubtful.

Energy: China and India's Demands, Russia's Supply

India and China are destined to become large-scale importers of energy, increasing demand on Persian Gulf supplies. Russia and other former Soviet states have large gas and oil resources and could become a key source of energy for Asia.

China's average per capita energy consumption is currently at 40 percent of the world's. As economic development continues, this per capita consumption will surge. Since the late 1980s, production has grown 1 to 2 percent annually; consumption increased nearly 8 percent. China's production has met this rising energy demand as well as provided exports.

However, it is estimated that China may import as much as 1.3 million barrels a day (mbd) of oil by 2000 and 7 mbd by 2015.[10] This rising energy demand has made China an active seeker of foreign energy. China is exploring fields in Venezuela, Iraq, and Kazakhstan. It has signed a $4.3 billion contract for a 60 percent stake in Aktyubinskmunai, plus an agreement to build a pipeline to Xinjiang. It also has sought natural gas from Siberia.[11] Chinese energy demands will have far-reaching implications. Its continued reliance on dirty coal will mean acid rain in Japan. It also could become a competitor for new energy sources in Central Asia.

In 1996, India decided to revamp its domestic energy industry and open it up to foreign investment. India's state oil firms met over half of India's oil demand in 1996–97. The Petroleum

AP/Wide World Photos

Indian Prime Minister Atal Bihari Vajpayee meeting with U.S. Deputy Secretary of State Strobe Talbott, after India agreed to sign the Comprehensive Test Ban Treaty

Ministry estimates domestic oil production will stabilize at about 42 million tons in 2000. However, strong economic growth will demand 100 million tons or more.[12] Even if sanctions slow economic growth and reduce demand, the trends are clear. Local oil production will cover less than 30 percent of demand by 2000. Annual import costs could reach over $25 billion by 2010.[13]

Chinese and Indian rising demands will place additional stress on Persian Gulf oil. Both India and China are astride crucial sealanes that connect the Gulf to East Asian and Pacific Rim countries dependent on oil imports. More than 90 percent of Japan's oil sails past India and China, raising questions about intensified energy competition and energy security.

Russia could benefit from these rising energy demands. However, massive capital inflows are needed to modernize production, repair pipelines, and construct new lines. Rising Asian energy demand will likely exacerbate pipeline politics in the FSU, as Russia seeks continued primacy in developing energy transportation in the region.

Ambitious Regional Agendas

All three states act like regional hegemons based on their size, history, and military and economic potentials, and all three have ambitious regional agendas—but only China possesses the potential to achieve them over the long term.

China's emergence as a rising power has resulted in a more expansive role in Asia. This greatly depended on the gradual elimination of tensions along the Sino-Soviet border. The Soviet Union's collapse permitted China to significantly reduce its forces in the north and devote greater resources in the south and southeast.

Beijing has expanded its participation in the Association of Southeast Asian Nations (ASEAN) and in the ASEAN Regional Forum. Its economic success has enabled it to assume a new leadership role after the Asian economic crisis. It has provided a $1 billion loan to Thailand through the IMF. It is one of the four powers involved in negotiations on the Korean peninsula's future. China has become more assertive regionally. It zealously claims Taiwan is an inalienable part of China. Its main challenge to this claim is Taiwan, which has grown richer, more confident, and more democratic. Beijing also claims the Senakaku Islands, putting it at odds with Japan, and the Spratly Islands, which are claimed by the Philippines, Vietnam, and other neighbors. To support this latter claim, China seized Mischief Reef in the Spratlys in 1995. In May 1996, China formally expanded its claimed sea area from 370,000 to 3,000,000 square kilometers. Whether or not these expanded territorial claims can be enforced is uncertain. However, Chinese policies create obstacles to any commercial developments. Any foreign company seeking to develop potential energy reserves in the area must take into account China's claims.

The Soviet Union's demise was a serious blow to India, eliminating a major strategic partner although the links with Russia are still important. Russia has continued to be an arms supplier, but it has sought more favorable returns. After worldwide condemnation of India's nuclear testing, the Russian Ministry of Atomic Energy announced a major nuclear reactor deal.

India continues to exercise regional influence over such surrounding states as Bangladesh, Sri Lanka, Nepal, and Bhutan. It faces two serious obstacles. The first is China. While New Delhi has improved relations with Beijing, China remains a serious strategic rival. President Jiang Zemin's visit to India in late 1996 led to a significant thaw in relations, with the two sides agreeing to set

aside border disputes. However, the Sino-Indian relationship could be a long-term rivalry over regional influence, global status, energy access, and foreign investment and trade. Senior Indian officials identified China, not Pakistan, as the key reason for the May 1998 nuclear tests. The growth of China's military potential and its emergence as a world power have alarmed and perplexed Indian officials. China has also established an important listening post near the Indian-controlled Andaman Islands.

The other obstacle is Pakistan. India frequently regards Pakistan as an unworthy rival. India's size and economic potential dwarf its neighbor, yet Pakistan has considerable resources to maintain military parity. Islamabad has cultivated important friends, who have provided advanced military technology that has sometimes surpassed India's. Sino-Pakistani cooperation has enormously helped Pakistani missile and nuclear programs, leaving many Indian observers feeling threatened on two fronts.

Since late 1991, Russia has sought integration of the FSU. Moscow was the driving force behind the creation of the Commonwealth of Independent States (CIS), which included all former-Soviet states except the Baltic republics. However, the CIS has not become an effective organization. Member states have disagreed about its purpose and institutional arrangements. Many wanted economic assistance from Russia, not integration. Led by Ukraine, others were suspicious of attempts to recreate a new centralized state. Consequently, the CIS has adopted thousands of decisions but implemented almost none. It has made the transition to independence more predictable and preserved communication channels among new political leaders. However, it has not produced the results Russia intended.

Russia now seeks to increase its influence through bilateral ties. It has fostered a bilateral Russian-Belarusian Commonwealth. It has signed important treaties of friendship and military cooperation with Kazakhstan, Armenia, and Georgia. It also has tried to normalize relations with Ukraine. Russia has agreed to create a community of four with Belarus, Kazakhstan, and Kyrgyzstan. Its energy companies have attempted to develop and transport oil and gas supplies outside Russia.

Russia sees the former Soviet territory as a zone of special interest and pursues policies that shore up its position. However, it has been hampered by economic troubles, the fragmentation of policymaking and implementation processes, and the reluctance of the newly independent states to pursue new arrangements.

Russia's regional ambitions also face a new geopolitical situation. Western institutions, such as NATO and the European Union, are expanding toward Russia's western borders. In the east, Russia faces a rising China, with which it has formed a "strategic partnership aimed at the 21st century." Although it engages in anti-Western rhetoric, this partnership is incapable of opposing the United States. Despite higher hopes, trade has stalled and even declined. They are more likely to be focused on one another, rather than the outside world. China will likely have enormous economic and political influence on Central Asian states and the Russian Far East. This region has already been influenced more by East Asian economic trends than by European Russia. However, it is unlikely that Russia and China will return to past animosities.

Facing Regional Instability

Even if the three transition states pursue stabilizing regional policies, their neighborhoods remain potentially unstable. The Asian economic crisis has unsettled Eurasia. The Korean peninsula's future is uncertain. Southwest Asia still feels the effects of the Iran-Iraq and Gulf Wars, and six unresolved conflicts still complicate stability in the FSU. Russia worries about NATO enlargement, the fragmentation of the FSU, Siberian and Far Eastern vulnerabilities, and the growth of Islamic radicalism to its south.

Southern Eurasian rimland countries seek advanced conventional weaponry, missiles, and/or weapons of mass destruction (WMD). Iran and Iraq have already used chemical weapons warfare. Iraq seeks WMD and delivery vehicles. Regional conflicts of the future will feature these military capabilities.

Proliferation of WMD is the biggest threat to regional stability, and all three states play key roles. The most dangerous problem is the Indian-Pakistan confrontation. Their nuclear tests altered the regional security situation. Despite evidence of new moderation, China has been a key provider of advanced missile and nuclear capabilities to Pakistan and Iran. Russia remains a prospective supplier of WMD expertise and materials. This prospect will become more likely as the Russian Government's oversight weakens,

IMF Managing Director Michel Camdessus, center, meeting with Russian First Deputy Prime Minister Yuri Maslyukov about additional loans for Russia

AP/Wide World Photos

the situation in the Russian defense industry becomes more dire, and greed prevails. Reversing this trend will require substantial efforts on the part of all three transition states, the United States, and its allies.

These regional conditions could produce strong or weak outcomes for these key states. China will likely continue rising, gathering political, economic, and military momentum. This growth is likely to occur at a more moderate rate, which will deepen internal problems. China could suffer serious setbacks, particularly if it cannot handle these problems. The current political system might also be in for a shock, as it tries to maintain strong control over an increasingly less centralized China. Economic developments may yet lead politics in unwanted directions. If a political crisis emerges, it could well mean a period of swift and unpredictable change.

India's immediate future is complicated by its nuclear status. The economic sanctions imposed on the country will certainly affect the economy. India or Pakistan's deployment of nuclear weapons would seriously destabilize South Asia. The rise of caste, regional, and Hindu nationalist parties promises uglier, less stable politics. The BJP party's use of national security policy to shore up it up politically is not encouraging. India probably will be unable to keep pace with China as an emerging world power. It will likely react negatively to the increasing gap between itself and China, given India's suspicions of long-term Chinese ambitions and frustrations with the world courting Beijing. If it does react negatively, Sino-Indian relations and South Asia could experience difficulties.

In the next decade, the drama for Russia will be a transition to a post-Yeltsin era. This successor generation will still face the central government's shortcomings, regional tensions, rising debt services, and burgeoning social needs for young and old. Even if Russia comes closer to integrating into European institutions and the global market, which would be a long and difficult process, it will still be in a questionable neighborhood.

Despite its weakness, Russia will have relatively strong influence over even weaker neighbors. However, it will not be able to impose centralized authority over this vast space. Russia's security environment will be far more uncertain than that of any other large power. Moscow's reliance on nuclear weapons as a hedge against uncertainty will not solve its security problems nor serve as a useful tool.

The more serious outcomes warrant consideration. These might result from internal failure. In Russia, this outcome might be long-term stagnation or the rise of a nationalist regime. In China, it would be economic failure or the inability of the Chinese leadership to maintain the dichotomy between liberal economics and authoritarian politics. In India, the outcome might be a similar loss of economic dynamism, the rise of a separatist challenge in Kashmir, or the erosion of India's democracy through the rise of ugly and violent ethnic, religious, and caste politics. These possibilities exist in each country; their probabilities are unlikely.

These outcomes would significantly affect all three states, externally as well as internally. Leaders of these nations might conclude that their countries would not achieve regional and global ambitions through economic and political integration with the international community. Alternatively, they might behave more aggressively toward the outside world.

The growth of Chinese, Indian, or Russian power will also test the United States and the international system. The international system's accommodation of newly ambitious powers is never easy. It is a difficult balancing act for existing powers.

U.S. Interests

As weak or strong states, China, India, and Russia have the power to influence the key regions of Eurasia. Their internal failures alone could fundamentally alter their regions. Moreover, the Western world cannot wall out instability in these great transition states. The world's increasing interdependence makes it vulnerable to such instability.

These three states are already significant global actors. China's near-term military modernization will alter U.S. and allied perceptions of various Asian regional contingencies, even if Russia retains an enormous nuclear arsenal. India's recently demonstrated nuclear capability challenges regional stability and the basic premises of the nonproliferation regime. The United States has enduring interests that must be supported by policies toward these transition states and their surrounding regions.

Promoting Stability

The dominant U.S. interest is to encourage stability and management of change on the Eurasian landmass. The United States has much at stake in Eurasia, to include an interest in stable transition states, their neighbors, and U.S. allies. The European Union and Japan are pillars of a global structure and cannot be insulated from global economic trends, regional instabilities, or long-term challenges to the existing economic and political order. What occurs in these transition states will eventually affect U.S. friends and allies.

Promoting Market Democracy

The United States has an interest in the establishment of market democracy in these key transition states and in their neighbors as well. In the early 1990s, these transition states were seen as eventually developing pluralistic political systems and free markets. While this was overly optimistic, encouraging transition states to seek these goals remains a fundamental U.S. interest.

Preventing Regional Hegemony

The United States has an interest in preventing a hostile power from dominating the key regions of Eurasia. None of the transition states appears to seek hegemony. In fact, Russia seems headed in the opposite direction. However, Washington cannot be indifferent to the rise of these states to global status. It must be concerned about the size and shape of their armed forces, regional ambitions, and political and economic power.

Promoting Integration

The United States has an interest in the internal stability of states and their long-term integration into the global economy and into regional institutions. Transition states are difficult challenges, because their internal failings and weaknesses could disrupt regional or global order. The United States must continue to enlarge the Western system that has fostered stability, economic growth, and democracy in many countries. The United States wants these countries to seek integration into this system, rather than try to topple it. The United States wants these states to be neither too weak nor too strong. Although the United States has an interest in the successful transformation of these states into normal and stable countries, it must prepare for their possible failure to integrate.

Hedging Against Transition Failure

The United States has reasons to hedge against transition failure. This will require retaining a military capacity to deter aggression, responding effectively if deterrence fails and restoring and reshaping a region. The United States has an interest in shaping the strategic perceptions of potential allies and adversaries, to include shaping Chinese, Indian, and Russian military doctrines and forces in ways that discourage them from challenging U.S. regional and global interests or helping rogue states at odds with the United States. Accomplishing this goal will require unilateral actions, coordinated steps with allies, and direct interaction with the transition states themselves, particularly regarding the proliferation of weapons of mass destruction.

How Transition States Affect U.S. Involvement

The United States remains aware of the interaction between the rising regional ambitions and capabilities of the three transition states and their neighbors. It clearly recognizes what is at stake where allies or crucial sea lanes are involved. What is not so clear is how the three transition states will affect U.S. involvement in regional contingencies. Is instability in Central Asia a potential problem? What is at stake in Russian-Ukrainian relations?

Preventing Proliferation

Stopping the proliferation of WMD and their delivery systems remains a key goal for the United States. This interest will become more intense as defense and dual-use technologies proliferate throughout Eurasia in the years ahead. The prevention of the weaponization and deployment of Indian and Pakistani nuclear weapons has become an urgent need. The United States also must act with other countries to prevent destabilizing conflicts on the Indian subcontinent and elsewhere in Eurasia. Ultimately, the United States and the world community must restore the integrity of the global nonproliferation regime after the Indian and Pakistani nuclear tests. Efforts must be redoubled to prevent the movement of WMD materials and expertise from Russia.

The opportunity for the United States to shape the world, particularly regarding nonproliferation, may be fleeting. To some degree, U.S. power is the result of its own capabilities. However, it is also relative. As a result of the Cold War's end, it is the world's only superpower. U.S. policy must use its current preeminence to shape tomorrow's world to be more favorable to itself and its allies.

Consequences for U.S. Policy

Current U.S. foreign policy is based on cooperative relationships with all three transition states. These three countries are developing new strategic identities and changing in other ways. Maintaining these cooperative relationships likely will be a challenging task in the future.

Describing U.S. interests with regard to the transition states is easier than prescribing policies that will support them. The transition states pose special policy challenges. Because transition states have the potential to influence their respective regions, the United States wants to engage these states and positively influence their transition. Yet, many U.S. allies and friends fear the power of these transition states. Washington must balance its relations with the transition states with those of its friends. It must be careful not to alienate current allies and friends and, at the same time, must not appear to be containing these transition states rather than engaging them.

Managing these relations will be extremely challenging. These states pursue their own agendas and view other powers, like the United States, with suspicion. Russia is by no means the continuation of the Soviet Union. Yet, its security leaders still struggle with the Soviet legacy of strategic rivalry with the United States. They tend to see the United States as an interloper and suspiciously regard strategic cooperation as constraining Russia.

The problem is not simply historical or perceptual. The United States would like to alter the development of these states in ways quite different from any other states in the world. Washington wants to increase their interdependency and expand U.S. influence in and around these states. It sees these developments as good for these transition states and for itself. Whether the three transition states will adopt these views is uncertain, but they do not see it this way now.

Engaging these transition states has become an important strategic requirement. Engagement is a universally accepted theory but faces considerable difficulties in practice. It requires immense

AP/Wide World Photos

Chinese "fishermen's shelter" on Mischief Reef in the disputed Spratly Islands

changes in strategic approach to the three transition states themselves. It also requires enormous patience on the part of U.S. and allied policymakers. The time required may equal or exceed the Cold War in duration. Moreover, every engagement of these transition states will also require allaying the fears of their neighbors, particularly those who are U.S. allies and friends.

Direct Engagement

President Clinton stated, "Bringing China into the community of nations rather than trying to shut it out is plainly the best way to advance both our interests and our values."[14] Engagement, however, must include incentives and disincentives. It must actively promote cooperation, but deter aggression.

The most visible aspects of engagement are expanded and institutionalized bilateral relationships. Events involving these transitional states do not it make it easy to establish such relationships. Tiananmen Square severely disrupted U.S.-Chinese relations, which recovered some momentum after President Clinton's visit to China in mid-1998. As we saw with the Kosovo conflict, the U.S.-Chinese relationship remains vulnerable to disagreements over human rights, Taiwan, trade, and other issues. India's nuclear test has complicated U.S. efforts to expand and deepen ties with New Delhi. However, India and Pakistan are nations that cannot be isolated from the world.

The United States has gone the farthest with Russia, building on the legacy of U.S.-Soviet relations but considerably expanding cooperative mechanisms. Yet U.S.-Russian relations are at a difficult stage and complicated by Russia's internal problems and strategic differences over NATO enlargement, Iran, Iraq, Caspian oil, and Russia's role in the FSU. This downturn does not necessarily mean a rekindling of global strategic competition. The United States pressured the IMF to provide a financial rescue package for Russia in July 1998. Moreover, the effects of the

financial downturn are ameliorated by U.S.-Russian mechanisms created to deal with differences. Serious engagement with the other two transition states would require building similar institutions of high-level interaction.

Engagement also means new forms of cooperation with the transition states. The greatest steps have been taken in Euro-Atlantic institutions. The United States and its allies have radically reshaped these institutions to provide new forms of partnership and cooperation. NATO has redesigned its military strategy and posture and created outreach institutions, including the Partnership for Peace and the NATO-Russian and NATO-Ukrainian Councils. It has included nonmembers in a pan-European peacekeeping operation in Bosnia. The European Union is slowly enlarging. A former Soviet Republic, Estonia, is on the list of states for accession talks. It has also fashioned partnership agreements with Russia and other newly independent states.

Engagement also will require creating new institutions or adapting old ones. While Euro-Atlantic efforts are not perfect and not a model for everywhere, this level of institutionalization contrasts sharply with deficiencies in East and South Asia. The four-power talks on Korea represent a modest beginning in this regard, bringing China into key negotiations. Yet they exclude both Russia and Japan. ASEAN and its Regional Forum also represent small steps forward, but fall far short of what has developed in Europe. The United States could act as a catalyst for broader multilateral security dialogue in the region. A key building block in the future has to be strengthening the web of existing arrangements and expanding them to include the transition states and other regional players.

Finally, engagement is a precondition for deterrence and responding to challenges should deterrence fail. Military-to-military exchanges are intended to develop greater cooperation. They also promote an understanding of interests, capabilities, and policies. Additionally, allies may fear engagement overturning longstanding U.S. commitments. However, the key to responding to a challenge from one of these transition states may very well be a track record demonstrating that Washington had done its utmost to avoid such a confrontation.

Addressing Nonproliferation

The testing of nuclear weapons by India and Pakistan resulted in automatic and draconian responses, including economic sanctions. Yet, neither is a rogue state. They are important members of the international community that will not remain isolated. The two states must be convinced of the dangers of weaponizing and deploying nuclear systems, but these efforts must be linked to incentives as well as sanctions. Any solution that does not restore normal relations between the United States and these leading countries of South Asia is not practical and will not last. The United States must be in a position to offer incentives in order to encourage India and Pakistan to restrain themselves. The woeful situation of poor early-warning systems might well be addressed by outside powers providing both sides with rudimentary U–2 and satellite coverage.

Russia will be a source of military and nuclear technology for some time to come. It is not in Russia's interest to become a leading supplier of advanced conventional and WMD capabilities to Eurasian rimland nations. However, this could occur as a result of weak state oversight and and strong-willed entities in the old Soviet military industrial complex. U.S. efforts to survey and secure nuclear and other WMD materials must be expanded. Efforts like the Nunn-Lugar program must continue to provide financial and other incentives for the secure storage and dismantlement of nuclear weapons. The United States should expand ongoing joint aerospace and high-technology projects, such as the U.S.-Norwegian-Russian-Ukrainian Sea Launch project. These programs create alternatives for those in the old military industrial sector. However, there are simply not enough of them to prevent the illicit sale of materials and expertise related to WMD. The United States also has to communicate its message beyond the traditional proliferation community. Emerging business interests in Russia often do not understand the potential impact that sensitive technology sales to rogue states can have on legitimate business opportunities.

Net Assessment

The external identities of these transition states are becoming clearer. They will probably not rise as great power rivals in the early 21st century. However, the successes or failures of these states will have an enormous influence on the stability of key regions in Europe and Asia. Nearly every significant security problem the United States will face in and around Eurasia will be made simpler by the cooperation of these three

states. Their indifference or outright defiance will also make problems more difficult. U.S. policies alone cannot determine the outcome of these transition states, but they can make it more likely that the states will choose cooperation. The United States and its allies should also be prepared to respond if they do not.

NOTES

[1] *Asia 1998 Yearbook*, 16.

[2] *Krasnaya zvezda*, April 2, 1996, 3.

[3] *Trud*, June 25, 1996, and *Krasnaya zvezda*, April 2, 1996.

[4] *Economist Intelligence Unit Country Profiles: India*, December 10, 1997.

[5] Kenneth Lieberthal, *Governing China* (New York: W. W. Norton, 1995), 245; H. Yuan Tien, Zhang Tianlu, Ping Yu, Li Jingneng and Liang Zhongtang, "China's Demographic Dilemmas," *Population Bulletin* 47 (June 1992): 28–31.

[6] Efim Khesin, "Economic Security," draft for East-West Institute volume, *Russia's Total Security Environment: The Euro-Atlantic Region*, 6–7. "State structures of power are unstable," was the blunt conclusion of Yeltsin's 1996–draft national security report. *Nezavisimaya gazeta*, May 23, 1996, *NG-Stsenarii*, no. 2, May 1996, 1–3.

[7] This section on the PLA relied heavily on three main sources: Paul H. B. Godwin, "From Continent to Periphery: PLA Doctrine, Strategy and Capabilities Towards 2000," *The China Quarterly*, no. 146 (June 1996): 464–487; Paul H. B. Godwin, "Uncertainty, Insecurity and China's Military Power," *Current History* (September 1997): 252–257; and Avery Goldstein, "Great Expectations: Interpreting China's Arrival," *International Security* 22, no. 3 (Winter 1997/98): 36–73.

[8] Jane's *Defence Industry Report*, March 1998

[9] Vladimir Bogomolov and Sergei Kortunov, "Russian Nuclear Strategy," *International Affairs* 4, no. 2 (1998): 29, is one source among many.

[10] *Asia 1997 Yearbook*, 54

[11] *Asia 1998 Yearbook*, 47–48

[12] *Asia 1997 Yearbook*, 55

[13] *Asia 1998 Yearbook*, 48

[14] Remarks by President Clinton on U.S.-China Relations in the 21st Century, June 11, 1998